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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 000742

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TAGS: [PGOV](#) [KCOR](#) [LH](#) [RS](#)
SUBJECT: USPASKICH RETURNED FROM RUSSIA, RUNNING FOR
PARLIAMENT

REF: A. VILNIUS 104
[1](#)B. 05 VILNIUS 444
[1](#)C. 06 VILNIUS 814

Classified By: Ambassador John A. Cloud for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary. On September 26, Viktor Uspaskich -- businessman turned politician, former Economy Minister, and fugitive for his alleged fraudulent use of campaign funds -- returned from Moscow to Lithuania. He was immediately detained and is currently under pre-trial house arrest for six months. At the same time, he is the Labor Party candidate in the October by-election for an open MP seat. If he wins, he will receive immunity from prosecution, unless the Parliament votes to cancel it. His return will give a much needed boost to diehard supporters of Labor, but it will likely not be enough to return the party to its former popularity. End summary.

Return from Moscow

[1](#)2. (U) Viktor Uspaskich spent almost 18 months in Moscow as a fugitive from Lithuanian authorities, who charged him with fraudulent use of campaign funds. From Moscow, he has had several video and telephone appearances at Labor Party events and recently at a press conference; he was part of the party list for the municipal elections in February (ref A); and he applied for political asylum to the Government of Russia, claiming publicly that there were plans for his assassination if he returned to Lithuania. Media reports allege that the Labor Party's improper accounting of campaign funds hid 10 million USD and its unpaid taxes could be as high as 1.5 million USD. Because of these alleged infractions, the Labor Party has not received about 1.5 million USD in public funding that it otherwise would have received this year.

[1](#)3. (U) On September 26, Uspaskich returned to Lithuania and was immediately detained at the airport. While charges are pending, a court committed him on September 27 to six months of house arrest in his adopted hometown of Kedainiai, where he made his fortune and was a force to be reckoned with in the political and business worlds for more than a decade (ref B). Uspaskich cannot leave the city of Kedainiai and must be in his house from 8 p.m. to 8 a.m. Uspaskich's lawyers challenged the pre-trial home arrest, saying it is unduly restrictive and hinders Uspaskich's participation in the election in Alytus, but lost their appeal.

Chances to win MP seat: Not bad

[1](#)4. (U) Uspaskich is running for an open MP seat for the Alytus city region. Labor did well in this district during its brief peak of popularity, but still lost the 2004 parliamentary election to a Conservative candidate. (The winner from 2004 gave up his seat to become mayor of Alytus in February, prompting the current by-election.) In the 2007

municipal elections, Labor garnered only 4 percent of the vote, below even their poor showing nationwide of 7 percent. Uspaskich has high name recognition, however, and local anger over the recent bankruptcy of a large textile firm complements the Labor Party's populist rhetoric. MPs receive immunity from prosecution, and this would apply to Uspaskich if he won (any prosecution would be on hold as long as he remained an MP, unless the Parliament cancelled his immunity with a three-fifths vote).

¶5. (U) In a field of ten candidates for the empty seat, Uspaskich garnered 20.3 percent of the first-round vote, trailing only Kestutis Cilinskas, the Conservative Party candidate, at 30.3 percent. Voter turnout was only 26 percent. Cilinskas and Uspaskich will participate in a run-off election on October 21. Cilinskas is a member of the board of the Human Rights Monitoring Institute (one of Lithuania's leading NGOs) and was Chancellor of the Government under Prime Minister Gediminas Vagnorius (1996-1999). He is a successful attorney currently known for representing the wife of Vytautas Pociunas, a State Security Officer who fell from a balcony in Belarus and died in August 2006 (ref C). He also represents a worker at one of Uspaskich's factories who protested "under the table" salary payments (a common practice by employers in Lithuania to avoid paying social security and other taxes) and was subsequently fired. The lawsuit is against the factory manager and not Uspaskich himself, but it serves to highlight the differences between the candidates. Neither candidate lives in Alytus. Cilinskas lives in Vilnius, Uspaskich in Kedainiai.

Comment

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¶6. (C) If Uspaskich becomes an MP he will use that and his "persecuted" status -- underdogs and victims are popular in Lithuania -- to help his party in the October 2008 general elections for Parliament. His party, however, has fallen far from its peak in 2004 when Labor won 39 of 141 seats in parliament, the biggest share of any single party. Even with a victorious return to parliament by Uspaskich, it will be a long shot for Labor to win even half that many seats in 2008.

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